



POSITIVE OUTCOMES CHARTER SCHOOL  
(A Component Unit of the State of Delaware)  
Camden, Delaware

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AUDITED FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2007

POSITIVE OUTCOMES CHARTER SCHOOL  
AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	3
AUDITED FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet – Governmental Funds	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	10
Notes to the Financial Statements	11
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	18
Notes to the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	19
OTHER INFORMATION	
Schedule of Findings and Questioned Costs	21



STATE OF DELAWARE

OFFICE OF AUDITOR OF ACCOUNTS

R. THOMAS WAGNER, JR., CGFM, CFE  
AUDITOR OF ACCOUNTS

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INDEPENDENT AUDITOR'S REPORT

TO THE SCHOOL BOARD MEMBERS  
POSITIVE OUTCOMES CHARTER SCHOOL  
Camden, Delaware

We have audited the accompanying financial statements of the governmental activities and the general fund of Positive Outcomes Charter School (the School), (a component unit of the State of Delaware), as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the School as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2007, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The School has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 19 through 20 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

R. Thomas Wagner, Jr., CFE, CGFM, CICA  
Auditor of Accounts  
Office of Auditor of Accounts

August 14, 2007



STATE OF DELAWARE

OFFICE OF AUDITOR OF ACCOUNTS

R. THOMAS WAGNER, JR., CGFM, CFE  
AUDITOR OF ACCOUNTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE SCHOOL BOARD MEMBERS  
POSITIVE OUTCOMES CHARTER SCHOOL  
Camden, Delaware

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Positive Outcomes Charter School (the School) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the School's management in a separate letter dated August 14, 2007.

This report is intended solely for the information and use of the School's management, School Board Members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Department of Finance and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

R. Thomas Wagner, Jr., CFE, CGFM, CICA  
Auditor of Accounts  
Office of Auditor of Accounts

August 14, 2007

POSITIVE OUTCOMES CHARTER SCHOOL

STATEMENT OF NET ASSETS  
JUNE 30, 2007

		GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents		
Unrestricted	\$	489,013
Receivables		11,621
TOTAL CURRENT ASSETS		<u>500,634</u>
NON-CURRENT ASSETS		
Fixed Assets, Net		<u>12,685</u>
TOTAL ASSETS		<u>513,319</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts Payable		13,479
Accrued Salaries and Related Costs		201,943
TOTAL CURRENT LIABILITIES		<u>215,422</u>
NON-CURRENT LIABILITIES		
Compensated Absences		<u>77,952</u>
TOTAL LIABILITIES		<u>293,374</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt		12,685
Unrestricted		207,260
TOTAL NET ASSETS	\$	<u>219,945</u>

See accompanying notes to the financial statements.

POSITIVE OUTCOMES CHARTER SCHOOL

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES					
Instructional Services	\$ (1,552,586)	\$ -	\$ 95,219	\$ -	\$ (1,457,367)
Supporting Services:					
Operation and Maintenance of Facilities	(199,762)	-	-	-	(199,762)
TOTAL CHARTER SCHOOL	<u>\$ (1,752,348)</u>	<u>\$ -</u>	<u>\$ 95,219</u>	<u>\$ -</u>	<u>(1,657,129)</u>
GENERAL REVENUES					
Charges to School Districts					215,316
State Aid not Restricted to Specific Purposes					1,540,528
Earnings on Cash and Cash Equivalents					12,206
Miscellaneous Revenues					13,862
TOTAL GENERAL REVENUES					<u>1,781,912</u>
CHANGE IN NET ASSETS					
					124,783
NET ASSETS AT BEGINNING OF YEAR					
					<u>95,162</u>
NET ASSETS AT END OF YEAR					
					<u>\$ 219,945</u>

See accompanying notes to the financial statements.

POSITIVE OUTCOMES CHARTER SCHOOL

BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2007

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<u>ASSETS</u>	<u>GENERAL FUND</u>
Cash and Cash Equivalents	\$ 489,013
Receivables	11,621
TOTAL ASSETS	<u>\$ 500,634</u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 13,479
Accrued Salaries and Related Costs	201,943
TOTAL LIABILITIES	<u>215,422</u>
 <u>FUND BALANCES</u>	
Reserved for Encumbrances	22,374
Unreserved	262,838
TOTAL FUND BALANCES	<u>285,212</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 500,634</u>

See accompanying notes to the financial statements.

POSITIVE OUTCOMES CHARTER SCHOOL

RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Total Fund Balances – Governmental Funds	\$ 285,212
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The total cost of capital assets is \$16,914 and the related accumulated depreciation is \$4,229.	12,685
Long-term compensated absences liabilities are not due and payable in the current period and, therefore, are not reported liabilities in the funds.	<u>(77,952)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 219,945</u>

See accompanying notes to the financial statements.

POSITIVE OUTCOMES CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	<u>GENERAL FUND</u>
REVENUES	
State Support	\$ 1,540,528
Federal Support	75,061
Charges to School Districts	215,316
Earnings on Cash and Cash Equivalents	12,206
Miscellaneous Revenues	13,862
Local Grants	20,158
TOTAL REVENUES	<u>1,877,131</u>
EXPENDITURES	
Current	
Instructional Services	1,484,077
Supporting Services:	
Operation and Maintenance of Facilities	199,762
Capital Outlay	
Land, Buildings, and Improvements	16,914
TOTAL EXPENDITURES	<u>1,700,753</u>
NET CHANGE IN FUND BALANCE	176,378
FUND BALANCE AT BEGINNING OF YEAR	<u>108,834</u>
FUND BALANCE AT END OF YEAR	<u>\$ 285,212</u>

See accompanying notes to the financial statements.

POSITIVE OUTCOMES CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net Change in Fund Balances – Total Governmental Funds	\$ 176,378
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 or land improvements with an initial cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlays	16,914
Depreciation Expense	(4,229)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated Absences	<u>(64,280)</u>
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CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 124,783</u>
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See accompanying notes to the financial statements.

## POSITIVE OUTCOMES CHARTER SCHOOL

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Positive Outcomes Charter School (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

##### Reporting Entity

The School was founded in 1996 and provides educational opportunities for students at risk. The School is considered to be a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The School has no component units for which it is considered to be financially accountable.

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the School.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students who purchase, use, or directly benefit from goods and services provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Grants and other revenues not specifically identifiable to a direct expense are reported as general revenues.

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to school districts are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

POSITIVE OUTCOMES CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The School reports only one fund which is the general fund (a governmental fund type).

Encumbrances

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Encumbrances at June 30, 2007, were \$22,374.

Cash And Cash Equivalents

Cash equivalents of the School are handled and controlled by the State Treasurer's Office in Dover, Delaware.

Capital Assets

The School defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. If such assets were acquired, they would be reported in the government-wide financial statements and would be recorded at historical cost or estimated historical cost. Donated capital assets would be recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized.

Compensated Absences

Vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements and the governmental funds because the liability is considered current.

Vacation

Twelve-month employees can accumulate up to 42 days of vacation. Any days in excess of 42 are dropped as of July 1<sup>st</sup> of each year. Employees are paid for unused vacation upon termination, retirement, etc. at the current rate of pay.

POSITIVE OUTCOMES CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Vacation leave allowances for twelve-month employees are as follows: 1 day per month for employees with 1-5 years of State recognized experience; 1.5 days per month for employees with 5-10 years of State recognized experience; and 1.75 days per month for employees with 10+ years of State recognized experience.

Sick Leave

Sick leave allowances are as follows: 10 days for 10-month employees, 11 days for 11-month employees, and 12 days for 12-month employees. Any unused sick days shall be accumulated to the employee's credit without limit. Compensation for accumulated sick days is paid out at one-half of the accumulated sick days up to 90 days upon retirement at the current rate of pay.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2007, the School has a cash equivalent balance of \$489,013. These cash equivalents are part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

POSITIVE OUTCOMES CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 follows:

	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Capital Assets Not Being Depreciated:				
Land	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	<u>-</u>	<u>16,914</u>	<u>-</u>	<u>16,914</u>
Less Accumulated Depreciation:				
Buildings and Improvements	<u>-</u>	<u>(4,229)</u>	<u>-</u>	<u>(4,229)</u>
Total Capital Assets Being Depreciated, Net	<u>-</u>	<u>12,685</u>	<u>-</u>	<u>12,685</u>
Capital Assets, Net	<u>\$ -</u>	<u>\$ 12,685</u>	<u>\$ -</u>	<u>\$ 12,685</u>

Depreciation expense is \$4,229 for the year ended June 30, 2007, and is included in instructional services in the statement of activities.

NOTE D – LEASING ARRANGEMENTS

The School is committed under a lease for its facilities through June 30, 2010. For the year ended June 30, 2007, the rent expense was \$144,000.

The following is a summary of future annual lease payments:

<u>YEAR ENDING JUNE 30</u>	<u>AMOUNT</u>
2008	<u>\$ 144,000</u>
2009	<u>144,000</u>
2010	<u>144,000</u>
TOTAL	<u>\$ 432,000</u>

POSITIVE OUTCOMES CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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NOTE E – PENSION PLAN

School employees are considered State employees and are covered under the State's pension program. The State contributed 15.95% for fiscal 2007 of the State's share of the employees' salary. The School contributed the same percentages on the local share of the salary. The employees contribute 3% of salary in excess of \$6,000 per share up to social security maximum and 3% for any salary above social security maximum. Total pension cost of \$128,540 (State share), \$6,822 (local share), and \$3,100 (covered by Federal grant funds) is included in the financial statements. Pension costs accrued at June 30, 2007, were approximately \$22,000.

Certain significant plan provisions follow:

- Early Retirement:
  - a. 15 Years Service - Age 55
  - b. 25 Years Service - Any Age
- Service Retirement:
  - a. 15 Years Service - Age 60
  - b. 30 Years Service - Any Age
  - c. 5 Years Service - Age 62
- Disability Retirement:
  - a. 5 Years Service and Proof of Disability
- Vested Pension:
  - a. An employee can vest pension rights after five years of service.

The State's pension program is a defined benefit plan. More information on this plan is available in the State of Delaware Public Employee Retirement System (DPERS) Comprehensive Annual Financial Report. This report may be obtained by writing DPERS at Suite 1, McArdle Building, 860 Silver Lake Boulevard, Dover, Delaware 19904, or calling 1-800-722-7300, or visiting their website at [www.delawarepensions.com/information/financials.shtml](http://www.delawarepensions.com/information/financials.shtml).

NOTE F – COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

Grants

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the State Office of

POSITIVE OUTCOMES CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the School. The School's administration believes such disallowance, if any, would be immaterial.

NOTE G – RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses for the School. Insurance settlements have not exceeded insurance coverage in either of the past two years. There were no significant reductions in coverage compared to the prior year.

NOTE H – CONSTRUCTION COMMITMENT

The School has an active construction project as of August 2, 2007. The project involves renovating the kitchen within the School and has a remaining commitment of \$20,478. The project is being funded with existing state funds.

## REQUIRED SUPPLEMENTAL INFORMATION

POSITIVE OUTCOMES CHARTER SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED JUNE 30, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
State Support	\$ 1,546,577	\$ 1,546,577	\$ 1,540,528	\$ (6,049)
Federal Support	94,803	94,803	78,640	(16,163)
Charges to School Districts	215,493	215,493	215,316	(177)
Earnings on Cash and Cash Equivalents	8,700	8,700	12,206	3,506
Miscellaneous Revenues	9,909	9,909	13,862	3,953
Other Local Sources	-	-	20,158	20,158
TOTAL REVENUES	<u>1,875,482</u>	<u>1,875,482</u>	<u>1,880,710</u>	<u>5,228</u>
EXPENDITURES				
Current:				
Communications	3,500	3,500	3,462	38
Computer/Word Processing/Software	40,492	40,492	44,372	(3,880)
Employment Costs	374,017	374,017	351,940	22,077
Insurance	17,270	17,270	17,270	-
Land/Building/Facilities	144,000	144,000	144,000	-
Other Contractual Services	34,710	34,710	32,749	1,961
Public Utility Services	34,400	34,400	32,109	2,291
Salaries	910,534	910,534	891,773	18,761
Student Body Activity	19,000	19,000	15,861	3,139
Supplies and Materials	174,268	174,268	131,270	42,998
Tuition Subsidies	6,498	6,498	8,020	(1,522)
Capital Outlay:				
Buildings and Equipment	-	-	16,914	(16,914)
TOTAL EXPENDITURES	<u>1,758,689</u>	<u>1,758,689</u>	<u>1,689,740</u>	<u>68,949</u>
NET CHANGE IN FUND BALANCE	<u>\$ 116,793</u>	<u>\$ 116,793</u>	<u>190,970</u>	<u>\$ 74,177</u>
Cash Basis Fund Balance at Beginning of Year			<u>298,043</u>	
Cash Basis Fund Balance at End of Year			<u>\$ 489,013</u>	

POSITIVE OUTCOMES CHARTER SCHOOL

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED JUNE 30, 2007

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The School's budget is prepared on the cash basis of accounting. The amount reported as "net change in fund balance" on the budgetary basis derives from the cash basis of accounting. Revenues are reported when received and expenditures are reported when paid. This amount differs from the "net change in fund balance" reported in the "Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds" on page 9.

That statement is prepared on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The following reconciles the net change in fund balance per the budgetary basis to the net change in fund balance per the modified accrual basis.

NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	\$ 190,970
Net Increase/(Decrease) in Receivables	(6,755)
Net (Increase)/Decrease in Liabilities	<u>(7,837)</u>
NET CHANGE IN FUND BALANCE, MODIFIED ACCRUAL BASIS	<u>\$ 176,378</u>

OTHER INFORMATION

POSITIVE OUTCOMES CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

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**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Positive Outcomes Charter School.
2. No significant deficiencies were identified during the audit of the basic financial statements of Positive Outcomes Charter School.
3. No instances of non-compliance material to the financial statements of Positive Outcomes Charter School were disclosed during the audit.

**FINDINGS – COMPLIANCE REPORTING**

None.

**FINDINGS – FINANCIAL REPORTING**

None.

**STATUS OF PRIOR AUDIT FINDINGS**

None.